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THE ADMINISTRATION
OF THE
Post Office Department



HON. WILLIAM MULOCK
Postmaster-General.



SPEECH

OF THE

HON. WILLIAM MULOCK,
POSTMASTER GENERAL,

**WITH REFERENCE TO THE ADMINISTRATION OF THE
POST OFFICE DEPARTMENT.**

**DELIVERED IN THE HOUSE OF COMMONS OF CANADA JUNE 29TH,
1900.**

The POSTMASTER GENERAL (Mr. Mulock). The hon. gentleman (Mr. Foster) toward the close of his observations, appeared to give an explanation of his indignation of what he called a manipulation of public accounts. He appears most anxious, if possible, by this method, to prevent the public drawing the proper and legitimate inference as to the administration of the Post Office Department, thinking that in this way he may discredit the accounts of the department. He pretended to be anxious to have a full and fair display of the receipts and expenditure on the records of the department, in order that a proper comparison might be made—I suppose between the administration of the post office under the present government and that under the previous government. If it is comparison he wants, is it not fair, considering that the late government had practically no Yukon service to maintain, that the accounts of the Yukon service should be separated from the accounts of the rest of the service, so that there can be a comparison

of the same services in the same parts of the country. But the hon. gentleman forgets his own record, and I am surprised, in view of the reminder I gave some time ago, that he should again assume such an attitude as he has assumed to-day.

I told him when we were in committee the other day that his own government, when they were opening up the North-west, charged only a part of the expenditures to the Post Office Department, for carrying mails into the North-west, but a very large portion of the cost of carrying the mails into the North-west Territories when they were being opened up was deliberately charged not to the Post Office Department, but to the Indian Department, to the North-west Mounted Police, and to the Interior Department. His government for years maintained that practice. The hon. gentleman knows that I told him that two weeks ago, and yet he gets up to day with professed indignation, because we were doing what his own government did, and more fairly, because you find nothing in his departmental returns showing that his government made known to the public, that they were charging the post office mail service in the North-west Territories to other departments, you find no reference to it whatever in the post office reports, whereas the expenditure for mail service in the Yukon under my management on which the hon. gentleman has especially dwelt, is most explicitly set forth upon the Postmaster General's report for the year 1898-9.

Now, let me for a moment say that in order properly to compare the administration of the department over which I have been permitted to preside for the last three years or more, with the administration of that department under the late government, it is far better for the purposes of comparison, that the Yukon service should be in a separate account in order that service for service may be compared. But I am not saying that in order to withhold from the public the true position of the matter, because even if it has happened that the Auditor-General, or whoever adjusts the public accounts, has not chosen to carry into other accounts, the cost of the Yukon mail service for the years gone by, at least the Post Office Department

Has Made it Perfectly Clear

in its annual reports, what it is costing the country to carry the mails, the exact receipts and expenditures in respect to the Yukon service being fully set forth upon the Postmaster-General's report presented to the House this session.

In order to compare the administration of the Department under the present with its administration under the late Govern-

ment, it is necessary to separate the Yukon accounts from the rest of the accounts. For the late Government practically had no Yukon mail service, so insignificant was it. By such a fair comparison of these two services can be made. Let me give an illustration. The hon. gentleman says that his government did so much for the mail service. Let me briefly show the sort of mail service in the Yukon that they may boast of, and see how much of their administration of the Yukon mail service has gone into their general post-office accounts. I propose to indicate the sort of mail service in the Yukon that they carried on, and to discover, if possible, how much, of the public moneys chargeable to the Post Office Department were ever expended upon the Yukon by the Post Office Department.

The first attempt of the late government to establish a mail service in the Yukon, was in September, 1894, when they appointed postmaster, Mr. C. H. Hamilton, who happened to be the manager of a steamship company, and they arranged with him to carry the mails in and out of the territory by his steamers, between Seattle and the ports on the lower Yukon. The first arrangement of this kind was carried into effect in July, 1894, and it continued with some degree of intermittence for some years afterwards. Under that arrangement with Mr. Hamilton,

He was not to be paid Anything

for the service, and nothing was paid by them to him. In 1895, the hon. gentleman's government placed the conveyance of those mails in the hands of the North-west Mounted Police. Is the hon. gentleman aware of that fact? In 1895, the North-west Mounted Police, under the late government inaugurated the system of carrying the mails in and out of the Yukon;

And Point if You can

to one item in the post office accounts to show that the Post Office Department was ever charged with any services of that kind rendered in the Yukon by the Mounted Police. The hon. gentleman's government inaugurated it, they established the basis on which this was done, I allowed it to go on; and ultimately as soon as it was safe to do so, terminated that arrangement, and obtained the services of private contractors. They attempted also to organize a mail service through Captain Healey; the hon. gentleman has alluded to that service. They arranged with him to take a mail in from Juneau, sixty-five pounds. The hon. gentleman says it costs \$600. Was there any of that \$600 charged by the hon. gentleman's government in the post office accounts? Does the hon. gentleman pretend that any portion of the moneys paid for that service was ever

charged to the post office accounts during their administration? Why, Sir, their attempt to get a mail in there in that way was an absolute failure. The man neglected or abandoned his work for months and months,

And It remained for the Department under My Administration to pay the cost of recovering that mail, and the expenditure for it went not into the hon. gentlemen's accounts when they were in office, but it went into the post office accounts of the year that we assumed office. So you fail to find any expenditure by the late government in the post office accounts in respect of the Yukon mail service, unless it may be one paltry sum of \$100. The late government arranged, in the spring of 1896, with a Mr. Moore, to carry in certain mails, and,

Just as in all other Cases,

they did not pay Mr. Moore, they left his accounts unpaid. You find that they never charged the carrying in of all mails by Mr. Moore in the report of the Postmaster General for 1896. What did they do with it? They left that uncharged, because they left it unpaid, and it was for the department under my administration to pay their accounts, and we charged it in the accounts of the Post Office Department.

Now, I admit that we utilized the North-west Mounted Police, and I admit it was in the interests of the taxpayers to do so. It was an economical mode of establishing that service, it was the only effective mode, and it was necessary, therefore, if we wanted to maintain the service, that it should be so conducted. For the sake of a comparison, I admit, that the comptroller of the mounted police fixed on the sum that the hon. gentleman named, the sum of \$47,400, as the cost of the police for carrying the mails in 1898-9. I would further say for the sake of a comparison, taking the gross expenditure by the police, and taking the gross revenue, the difference of the expenditure over the revenue for that fiscal year amounted to \$58,503.78. Add to it, if you like, the \$3,000 which were said to have been paid by the Department of the Interior, and you get \$61,503.78 as the total amount which could by any possible means be carried into the post office accounts, in order to make any change in the results for the year 1898-9. If you do carry this \$61,000 into the accounts for the year 1898-9, it would just by that much and no more have altered the results. I appeal to the judgment of this House whether the hon. gentleman is justified in making such observations as he has made to-day, and as he has made on a former occasion as to the manipulation and cooking of accounts in this

department. I refer the House to the Postmaster General's report for the year closed June 30, 1899, page xiv, which contains the information which the hon. gentleman says has been withheld from the public. This is the kind of statement which he calls manipulation and cooking. My printed official report to Parliament states as follows :

The post office revenue for the Yukon and Atlin districts for the year amounted to \$10,846.61.

And it gives the points at which the sums making this total were collected. Then under the head of 'Expenditure—Yukon and Atlin districts,' the report proceeds to say :

The expenditure, including the sum so fixed as the value of the services of the North-west Mounted Police, amounted to \$69,350.39, the cost thus exceeding the revenue by 58,503.78.

Under the head of 'Financial Operations,' it says :

The financial operations of the year ended June 30, 1899, not including the revenue and expenditure in respect of the service in the Yukon and Atlin districts as above mentioned (the same being above set forth), have resulted—

And then follows the statement. There it is placed in unmistakable language. It shows plainly on the face of it an explicit statement of the gross revenues and expenditures last year in respect to the Yukon and Atlin service, and it distinctly declares that these different items of revenue and expenditure are kept apart where they may be seen. Here they are placed where they may be read and understood by any one who desires to understand them. The report then proceeds to give the financial results of the service for the rest of Canada. As if that was not a sufficient reference to the revenue and expenditure of this service, you again find on page 4, under the head of 'Revenue and Expenditure,' the gross revenue and the net revenue of the department for the year in question, and at the foot is an item to the effect that :

Revenue of the Yukon and Atlin districts (\$10,846.61) not included.

I should like to understand on what authority the hon. gentleman said that we had included in these accounts the revenue from the Yukon and that we had excluded the expenditure. I call his attention to this, and I challenge him to make good his statement. It is without foundation; it is not correct. I again repeat my remark, as, perhaps, the hon. gentleman was not paying attention. Page 4 of this report gives the revenue of the department for the fiscal year ended June 30, 1899, below which is found this foot-note, to which the hon. gentleman's attention is called :

Revenue of the Yukon and Atlin districts (\$10,846.61) not included.

Then, if we turn to the expenditure column on the same page, we find that the total expenditure for the year is also given, and below the statement is this foot-note:

Expenditures on account of Yukon and Atlin services not included.

What deception is there in that? What cooking of accounts is there shown? I call the hon. gentleman's attention to the fact that we are keeping a separate account of the Yukon and Atlin services, of the revenue and expenditure, and that we are incorporating it as a separate account in the Postmaster General's report. If the hon. gentleman thinks that the fat and lean of the service are not taken together all he has to do is to add \$58,503 to the expenditure, and he has the actual total according to his contention. If he desires to test our actions and those of his own government by the practice that he established in the Yukon and handed down to us, the best way to deal with our accounts is the way in which they appear on the face of this book here. The hon. gentleman is extremely solicitous on occasions about my department, and I am proud of it. I am not quite sure that it is deserving of his attention, but since he is so ready to point out how accounts can be manipulated, permit me to ask

What Explanation he can Offer

to the country for not having placed, in the Postmaster General's report, or in the public accounts, the fact that he had incurred liabilities, expenditures and debts in the Post Office Department, amounting to no less than \$680,000, which were not paid when his government left office, which were in excess of every parliamentary appropriation, and which the hon. gentleman himself must have known existed? A debt existed at the commencement of the fiscal year, 1894-5, of nearly \$600,000, representing obligations due, and instead of the hon. gentleman opposite coming down to parliament and frankly reporting the proper expenditure of the department for the year, he simply withheld that information from parliament, took a lump sum vote, and when June 30, 1895, expired, when the vote for the next year's services became payable, when they could draw upon it, they reached into the appropriation made by parliament for the fiscal year beginning July 1, 1895, and paid with it over \$600,000 they should have paid in the previous year. Not only so, but they came down to parliament after that transaction with their estimates for the year 1896. They maintained the service throughout the year 1895-6, and they reported to parliament what they wanted for the fiscal year beginning July 1, 1896. By that time,

Their Concealed Expenditure,

the amount which they had incurred in liabilities in excess of the appropriation, had grown from being \$616,712.99 at the commencement of the fiscal year, to such an extent that when they went out of office they left unpaid liabilities amounting to \$685,447.03. For some years, I believe, that sum had been accumulating. It cannot be believed that it was the result of two or three years' mis-management. I think it is fair to assume that it had been accumulating for years. If so, what excuse can the hon. gentleman give for the sort of accounts which he presented to parliament year after year, and which he presented in the years 1894-5 and 1896? After I took office, I found the expenditures of the department suddenly, in the early part of my tenure of office, within the first two or three months, showing very large proportions, and being unable to understand how such an expenditure could be justified in view of the short time that I had been in offices,

I Employed two Expert Auditors,

who spent months to try and find out what was the matter with the accounts of the Post Office Department. We have their findings in a report signed by them, W. H. Cross and W. F. Munroe.

That report was embodied in the first report I had the honour to lay on the table of Parliament. The accuracy of that report has never been challenged. On the contrary, parliament recognized its accuracy, and my honourable friend the Finance Minister (Mr. Fielding) had to come down to parliament and ask for a vote of \$685,000 to pay these unpaid bills of the Post Office Department, which the honourable gentleman

Never honoured with a place

in the public accounts during his regime. The honourable gentleman from York (Mr. Foster) is most solicitous lest the public may give some little measure of credit to the government for the administration of the Post Office Department, and he and his friends seem most anxious to try and explain away the why and the wherefore that we do not have such enormous deficits now as in the good old times when they held the purse-strings. The other evening the honourable gentlemen from Three Rivers (Sir Adolphe Caron) endeavoured to give an explanation of the decreased deficits, and, much as I would desire to do so, I cannot credit him with any degree of accuracy or thoroughness. He gave an explanation why the expenditure of the Post Office Department since I have taken

charge of it was much less than in former days, and his explanation was that I withheld from the civil service increases of salary amounting to \$74,217, and that this answers to that extent for any betterment of our accounts. I will point out to the honourable gentleman (Sir Adolphe Caron) where he fell into an error. To arrive at the sum of \$74,217 he took the amount expended for salaries in the last year of his administration, and the amount expended for salaries in the year 1898-9, and deducting one from the other he found a balance of \$74,217, and so he jumped to the conclusion that the lesser expenditure in 1899 was accounted for by withholding increases from the staff. It did not occur to the honourable gentleman that that decrease in expenditure might have come about by other methods, and as a matter of fact it did, and I will just explain to him how it was. It is true, Mr. Speaker, that

I Did Not Recommend Every One

in the post office service for increases, but we did exercise a wide discretion having regard both for the needs of the service and the needs of the taxpayers who pay the salaries of those in office. We did not withhold \$74,217 of increases of salary from them, but we did withhold a certain sum. Let me point out to the hon. gentleman (Sir Adolphe Caron) that if every one on the outside staff had received every possible increase of salary from the time we took office until the year 1898-9, it would only have amounted to the gross sum of \$19,087.16 in excess of what they were actually paid. When, in speaking on a recent occasion, the hon. gentleman (Sir Adolphe Caron) said that we withheld from the outside staff \$74,217, he was astray to the extent of \$55,000 out of the \$74,000, and therefore three-fourths of his statement was an error, as I have explained.

The Reason why we did not Pay so Much

money out in 1898-9, as he did, was that we had a much smaller staff. There is no great mystery about it. I will give my hon. friend the figures: When the hon. gentleman left office the number of the staff in the outside service was 1,610, and in 1898 the number had fallen to 1,486, and for the year just closed the number has fallen still further, namely, to 1,473. In other words,

The Number of our Outside Staff

after three years was 137 less than it was during the regime of my hon. friend (Sir Adolphe Caron). By this reduction of staff we will

be able to account for over \$55,000 of his \$74,000. I might also add, Mr. Chairman, that

There were Other Ways by which Economy was Practised.

For example, I found when I took office that a very great degree of improvidence had been displayed in the letting of mail contracts, and the particulars of which were summarized in the preface to the supplementary report which I submitted to parliament in 1897. The first page of that report contains the following :

In explanation of this supplementary report, it may be proper to state the circumstances which called for it. Shortly after entering upon my duties as Postmaster General information reached me from persons who had tendered for mail services, but who had not been awarded the contracts, to the effect that their lower tenders had been passed over and the contracts awarded at higher prices, and I accordingly called upon the officers of the department to produce and enter in a register all tenders so passed over.

This was accordingly done, when it appeared that tenders for 330 services had not been considered when the contracts were awarded, and in upwards of 100 instances the department, at the time of awarding the contracts, had received tenders to perform the services at lower rates than those at which the contracts had been awarded. Most of such contracts were renewals of existing contracts. In numerous cases, contracts were renewed many months in advance of the time when they would in ordinary course expire. These various methods prevailed, to a great extent, in the year 1895-6. As these investigations appeared instructive as illustrating the serious extent of the loss to the treasury by the renewal of contracts without tender, a statement was prepared showing the dealings of the department with the mail contracts during the last year of the administration of the late government, from which it appears that 1,416 contracts had been made during that year, and that of these 598 had been let without tender. That is $42\frac{1}{2}$ per cent. in number of all the contracts entered during such years were let without tender. In looking at the aggregate of the amounts for which these contracts had been made, the results are even more striking. The total of these amounts was \$856,953.14, and of this sum the contracts let without tender amounted to \$457,952.70, or $53\frac{1}{2}$ per cent. of the whole.

There is a statement of the particulars showing among other things that during the last year of my hon. friend's administration of the department he let over 100 contracts at higher prices than the prices at which he had tenders to perform the services then in the department, and that

In many instances contracts were let

without his even opening the tenders to see what was in them. I may say that in reletting these contracts, which were so improvidently let by my hon. friend, we did so at prices, obtained by tender, which resulted in

A saving to the country of the sum of \$415,740.

It is not very difficult to understand how our accounts are better balanced and so nearly in equilibrium when I point to items of this

kind. I would ask my hon. friend from York (Mr. Foster) who, I believe, has taken a great interest in education and in the elevation of the standard which is to be the example of young men, to say whether he thinks the method I have indicated was a correct method of dealing with public contracts. It appears to me that he must have been unaware of these transactions, or they would not have received his sanction. Now that I have called his attention to them, I trust that when he again addresses the committee he will express his unqualified disapproval of them.

Sir ADOLPHE CARON. I would like to ask the hon. Postmaster General whether he states that new contracts were let without any tenders being called for, or whether he refers to contracts which had been let by tender, but were continued without tender under the law and under the practice of the Post Office Department ever since it has been in existence. If that be so, it changes the question completely, and that is a point which the hon. gentleman in fairness should state.

The POSTMASTER GENERAL. I refer as the foundation of my statement to the printed particulars which have been on the files of parliament for three years. The hon. gentleman will find all the details to make good my statement in the supplementary report of the department presented to Parliament in the spring of 1897. I know that in the Post Office Act authority is given to renew contracts. That is a perfectly proper provision, and I am not directing my remarks against any proper exercise of that authority. The cases I referred to were

Cases in which contracts were entered into

in some cases by way of renewals without calling for tenders, in some cases without regarding tenders that were called for—over a hundred cases in which lower tenders were passed over and higher tenders accepted, resulting in loss of \$415,000 to the people of Canada.

Sir ADOLPHE CARON. The point I want to get at is whether in the 330 cases in which the hon. gentleman says tenders were disregarded, they were existing contracts, which were continued without calling for new tenders. That is the law and the practice, as the hon. gentleman knows.

The POSTMASTER GENERAL. I understand that the law gives to the minister the right to renew, under certain circumstances, without calling for tenders. If he renews a contract without calling for tenders, he assumes the responsibility of being justified by parliament in that renewal. In three hundred and thirty cases, the

hon. gentleman chose to assume that responsibility. In one hundred other cases he chose to disregard the lower tenders that were in the department, and let the contracts at higher amounts. I took those cases in which he acted improvidently. I took the three hundred and thirty cases, including the one hundred cases where he passed over lower tenders, and I cancelled those contracts, and put them all up for public competition, and in every case awarded the contract to the lowest tenderer if qualified to perform the service, with the result that we saved to the country \$415,000. That, at all events, the country will understand as one method whereby the expenditure may be brought within a measurable distance of the revenue.

I propose for a moment to allude to the record of the late administration in the matter of annual deficits. The financial success or failure of the Post Office Department depends upon whether or not a faithful, careful regard is had to details. The post office administration is essentially one of details, and any laxity in matters of detail will have a serious effect upon the general result. I know of no other department of which that can be so truthfully said. We have eight thousand or nine thousand small contracts, representing an aggregate of the best part of a million dollars a year, and the least wastefulness on each contract aggregates a large sum. We have 1,500 employees, and if you choose to add a few hundred, as a careless minister may, you can unnecessarily increase the expenditure, and so all along the line a faithful regard for detail is absolutely essential.

Taking the net revenue and the net expenses of the department from 1889 to 1896, when the hon. gentleman left office, what do I find? I find the following:

Resumé of the financial statements of the Post Office Department for the last ten years, and the rates which the deficit bears to the revenue in each year:

Year.	Revenue.		Expenditure.		Deficit.		Ratio of Deficit to Revenue.
	\$	cts.	\$	cts.	\$	cts.	p.c.
1889.....	2,220,503	66	2,982,321	48	761,817	82	34.31
1890.....	2,357,388	95	3,074,469	91	717,080	96	30.42
1891.....	2,515,823	44	3,161,675	72	645,852	28	25.67
1892.....	2,652,745	79	3,316,120	03	663,374	24	25.01
1893.....	2,773,507	71	3,421,203	17	647,695	46	23.35
1894.....	2,809,341	06	3,517,261	31	707,920	25	25.20
1895.....	2,792,789	64	3,593,647	47	800,857	83	28.68

In 1896, the year the late government left office, not counting the enormous debt that was left unpaid, but simply what they did pay, they expended \$700,907 in excess of all the post office revenue collected, or in other words 23 per cent. more than the revenue. We then took office. These hon. gentlemen had established a degree of expenditure that could not be curtailed all at once, but nevertheless at the close of the next fiscal year, 1897, the deficit was only \$586,000, or 18 per cent. of the annual revenue. Never since 1889 has the percentage of expenditure been as low as it was in 1897.

We then come to the year closing the 30th June, 1898, and the deficit that year was \$47,602, or 1.35 per cent. of the net revenue. It was in that year, when I discovered that by good management it was possible to make the department self-sustaining, that I came to the conclusion that the public interests and the condition of the department fully warranted us in entering on a policy of reduction of postage which has been so happily carried into effect.

Take the year closing 1899, although the country had enjoyed six months of this reduced postage, the deficit was only \$398,000, or 12 per cent. of the net revenue. Let me give the figures in detail for the years I have just mentioned :

Year.	Revenue.		Expenditure.		Deficit.		Ratio of Deficit to Revenue.
	\$	c.	\$	c.	\$	c.	p. c.
1896	2,964,014	23	3,665,011	30	700,997	07	23.62
1897	3,204,938	42	3,789,478	34	586,539	92	18.31
1898	3,527,809	69	3,575,411	99	47,602	30	1.35
1899	3,182,930	92	3,581,848	71	398,917	79	12.53

Take the whole of the period from 1889 until the late government left office, the lowest percentage of expenditure as compared with the revenue was 23 per cent. And if you take the expenditure of the department for 1899, and wish to ascertain what, according to the methods of hon. gentlemen opposite, the deficit would have been—take their best year, the year 1895, when their expenditure was 23 per cent.—of their net revenue, and apply that measure to our administration of 1898, and you will find that our deficit for 1898 ought to have been, according to that method, \$823,740.40. But instead of that, it was but \$47,602.30.

Before recess, in answer to a question by my hon. friend from Three Rivers (Sir Adolphe Caron) I gave what I thought was an explanation of a point he raised, namely, as to the meaning of a paragraph in the preface of the supplementary report of the Post Office Department in 1896. The hon. gentleman wanted to know the meaning of the following words: 'It appeared that tenders for 330 services had

not been considered when contracts were awarded, and, in upward of one hundred instances the department, at the time of awarding the contracts, had received tenders to perform the services at lower rates than those at which the contracts had been awarded.' I gave my hon. friend the most favorable version of what I took to be the meaning of the reference to 330 tenders. I thought this referred to 330 cases where the hon. gentleman had exercised his right as Postmaster-General to renew a contract without tender. But, on inquiry, I find that I gave him too favorable a reply. I find that the facts are that in the case of 330 contracts, tenders were received, but not opened, and the contracts were made without reference to these 330 sets of tenders; and also, that when the tenders were opened, it was found that a certain number of these tenders were for prices much lower than the amounts at which the contracts were let. I endeavored to illustrate the policy of the department since the present government took office in regard to this department, and I think the illustration I gave will fairly enable the public to understand that our policy was to administer the department on proper business principles,

With a Due Regard to Efficiency and to the Interest of the Taxpayers.

The carrying out of that policy, begun in the summer of 1896, warranted the conclusion which was reached within less than eighteen months, that, by the continuous employment of these methods, the department might reasonably expect, within a short time, to be a self-sustaining department, and it would be the part of wisdom at the earliest moment to endeavor to establish a lower rate of postage not only within Canada itself, but also between Canada and Great Britain and the British possessions generally, and between Canada and the United States. As soon as the government reached the conclusion that it was to the interest of the country, at the earliest possible moment, to bring about these freer postal facilities—for the lower the rate the freer the facilities—it became my duty to study somewhat the utterances of hon. gentlemen on the subject generally with the view to forming an opinion how far it would be wise for us to proceed. One great question that had been attracting public attention for a length of time, the question of reduced postage within our own country—the domestic letter rate as it is called—had been discussed both inside and outside of parliament. I began to study the subject by referring to the official records, among them the report of the Postmaster-General for the year 1893. In that report, I find the following opinion expressed by my predecessor

with reference to this question. I quote from page xxvi of that report :

Whilst the department is thus being assailed on one hand by those who consider that its revenue and expenditure should be more nearly equalized, it is at the same time being urged to reduce to 2 cents an ounce the postage on letters, the inevitable result of which would be so large a reduction in the revenue, and as a necessary consequence so vast a discrepancy between the revenue and expenditure as to materially cripple the operations of the department for years to come. That this is no mere hasty assertion, unsupported by facts, may at once be demonstrated. The lowest estimate of the effect of a reduction to 2 cents in the rate of postage is a loss of revenue of at least \$750,000, which, even if postage on newspapers were reimposed, by which an additional revenue of \$100,000 would be obtained, would still leave a deficiency of \$650,000, which, added to the present amount, would make \$1,250,000 a year to be provided by parliament over and above the revenue, and what Postmaster General could be expected, in the face of such a deficiency, to entertain propositions for additional expenditures to improve the service, however necessary they might appear.

That was the deliberate opinion of the government in 1893. In 1894, Mr. Coatsworth, then member of this House for East Toronto, a supporter of the government, moved the following resolution :

That it is expedient to reduce the general rate of postage on letters from 3 cents to 2 cents.

Referring to *Hansard* of 1894, page 2206, I find that the hon. member for Three Rivers (Sir Adolphe Caron) is reported as expressing himself as follows :

The proposition of my hon. friend would represent a loss to the revenue, not of \$650,000 per annum, but of \$800,000. . . . Without attempting at all to discuss the financial question, I think we shall all admit that by reducing the tariff we have been relieving the people of some of their obligations, and, therefore, it seems to me this is hardly the moment when any of the friends of this country, or any who wish well for its future, should expect the government again to reduce the revenue by \$800,000 more.

My hon. friend in these remarks, had reference solely to the domestic rate. He anticipated a loss of revenue of \$800,000. He did not appear to consider at that time the loss of revenue from the reduction of the Imperial rate, because, at a later period, he intimated that if we reduced the letter rate from Canada to England—I presume he meant the colonies as well, though I do not know that he said so—such reductions would involve a further loss of revenue to the extent of \$100,000. That is, his estimate was that the reduction of the domestic letter rate and the reduction of the Imperial rate would mean an annual loss of revenue of \$900,000. In 1896, the hon. member for York (Mr. Foster), at that time the Finance Minister, in his budget speech, delivered on January 31, 1896, said :

In the Post Office we have an increased estimate of \$240,780, which is a large increase. The demands for the opening up of new lines, and for greater

frequency and greater thoroughness in the delivery and despatch of mails, are continually pressing upon the Post Office Department, and a large expenditure has necessarily to be made if we are to keep at all even with the requirements of the times, which we are bound to do. There is now a deficit of somewhere near \$800,000 between the total receipts and the total expenditures of our post office service, and this, I fear, makes the time somewhat distant when, what otherwise might be fairly asked for, can be granted, that is, a reduction upon the rates of postage in this country. Considering the large extent of country, the sparseness of the population, and the great expense necessarily imposed for carrying letters and papers in our Northwest and in other parts of the country, there is no doubt that the carriage of letters, newspapers and parcels in this country is cheaper, for the population, than you would probably find it in any other country in the world.

That was the opinion of the ex-Minister of Finance as expressed in the last budget speech he ever delivered in this House.

Well, Sir, the government came to the conclusion, notwithstanding these unfavourable opinions, that the untoward results anticipated would not follow. When in 1898, parliament was asked to authorize the government to reduce the domestic letter rate from 3 to 2 cents, I expressed the opinion that, whilst there would be a temporary loss of revenue amounting to about \$650,000, I regarded that loss as but temporary and believed that in a reasonable period of time, about three years, the revenue would recover the position it had prior to the reduction. It will be for those who study the fact to say how far that prophecy has been fulfilled. We reduced the postage on domestic letters on January 1, 1899. A week before that, the letter rate from Canada to Great Britain and a good many of the British possessions had been reduced from 5 cents to 2 cents.

On the 1st of January, 1899, we also reduced the rate from 3 cents to 2 cents on letters passing from Canada to the United States, and thus, commencing on that date, we had three reductions, these three different classes of reductions all influencing the revenue at the same time. A few days afterwards the leader of the opposition, addressing a public meeting on the 14th of February, 1899, at Clinton, with reference to the action of the government in reducing the letter rates in Canada, expressed himself as follows :

To the large banking institutions and important mercantile interests, who are wealthy, do an enormous amount of business, and write a great many letters, the reduction of postage is a very important thing. But I have yet to learn that the mass of the women of Canada will relish to have to pay on the tea they drink—tea which was made free by us—in order to put money into the hands of the bankers, commercial men and other wealthy classes.

Again, Sir, since this session began, the hon. member for Three Rivers (Sir Adolphe Caron) expressed himself as follows :

But to come back to the reduction of postage from 3 cents to 2 cents, I say, there again, it does not apply impartially. Whom does it benefit? The great

commercial houses who write to Bombay, to China and Japan for the purposes of their trade. The farmer does not write any more letters than he used to, but he has to make up, out of his hard earning, the difference between the 2 cents and the 3 cents, and the 2 cents and the 5 cents.

My hon. friend is not only opposed to the reduction from 3 cents to 2 cents in Canada, and to the reduction from 3 cents to 2 cents to the States, but also to the reduction from 5 cents to 2 cents to Great Britain and her colonies. He proceeds to say :

It is the poor man who has to pay that. The wealthy men and the wealthy houses who have to communicate for their own purposes with the great commercial centres of the world write their letters, whether they pay 5 cents or 1 cent, and to make up for the loss of revenue the poor man, who writes one letter a month, or two letters a month, has to put his hand into his pocket and contribute the amount necessary to make up the difference between 2 cents and 3 cents, the postage which formerly existed. I have stated that I was in favour of reducing the postage from 3 cents to 2 cents if we could have afforded to do so. I met a gentleman in England, Mr. Henniker Heaton, when I was Postmaster General, and we discussed the whole question. I admitted that it would be a good thing to have one rate of postage for the whole empire, but I said Canada could not afford it, as we would be losing \$800,000 revenue a year.

Now, Sir those were the discouraging words, some of them, prior to our taking the step we did, and some of them discouraging statements made since. Now, let us fit these prophecies and statements to the facts as disclosed by the revenues of the Post Office Department since the reduction, and see

Whose Judgment was Right and Whose Judgment was Wrong.

The hon. member for Three Rivers and his friends opposite, seem to agree, and I will not quarrel with them in their figures, that the reduction in question would involve an annual loss of revenue of \$800,000 on the domestic letter rate and \$100,000 on the Imperial rate. Well we had all these reductions in force for six months in 1899 from the first day of January, or practically so—the Imperial rate went into force a week earlier. They were in force for six months of the last fiscal year. If the hon. gentleman's prophecies were correct, they involved a loss for the six months of \$450,000 of revenue, being one-half of his total estimate of the year's loss of \$900,000. Well, Sir, the hon. gentlemen opposite put themselves on record as saying that the department could not be carried on without the loss of at least \$800,000 a year, to which would have to be added any loss of revenue arising from reduction in rates. Accordingly, if you add to their uniform annual deficit approaching \$800,000 a year, in round numbers, a deficit which they had for many years' if you add to that the \$450,000 dropped from the revenue for the year 1898—because we left that

much more money in the pockets of the people, not exacting from them the higher postage of the previous regime, but the lower rate of our time, leaving this \$450,000 in the pockets of the people—it would add to the deficit of \$800,000 for the year 1899 and make it \$1,250,000. Now, I do not care whether the contention of the hon. member for York (Mr. Foster), that this \$57,000 in the Yukon should or should not be estimated.

I Give Him any Crumb of Comfort

he can take from that. But take the Postmaster General's Report, as laid upon the table of the House, and what does it show? It shows that for the fiscal year ending 1899, notwithstanding the fact that we left \$450,000 money in the pockets of the people which they at a higher rate would have taken out, it shows that instead of our deficit being \$1,250,000 for the year, or even the \$800,000 which they always had, the people have that reduced rate for one-half of that year at an expenditure of only \$398,917.79 in excess of revenue. Why, Mr. Chairman, if you double the deficit of last year, it would not give you \$800,000. Now, Mr. Chairman, let me say that it is quite easily understood that when a reduction in postage takes place it is attended at first by a substantial loss of revenue; but as the days go by the revenue increases. I am a believer in the theory that the cheaper you make these charges the more you encourage the use of the service, and it is a narrow policy, I think, to maintain high rates if these high rates have the effect of diminishing the use made of the postal service. Now, let me tell you what the result of the financial operations of the department was for the present fiscal year. Permit me to say for the comfort of those desponding people who thought we should have always a deficit of \$800,000 or \$900,000 a year because of the reduction in the rates, for the comfort of those gentlemen who have so little confidence in the resources of their country, let me tell them how the revenue for the eleven months of the present fiscal year compares with the revenue for the eleven months of the fiscal year under the higher rates. Taking the eleven months of the fiscal year of 1897-8 and comparing them with the eleven months of this present year, what do we find? We find that the gross revenue for the eleven months of 1898 amounted to \$4,051,489; and for the eleven months of this current year it was \$3,716,092, or a gross decrease of \$335,397. If the decrease for the month of June should be continued, ratably with the decrease for the previous eleven months of this year, it will show that the gross loss of revenue from these reductions, instead of being for this year, as hon. gentlemen opposite expected, \$900,000, does not even reach \$350,000.

I am gratified to be able to tell you, Mr. Chairman, that the reductions have been steadily marked by growing increases in the revenue. Whilst the gradual decline of loss has not kept actual step with each month—that is, some months showed more and some less—still, there has always been a downward movement in the loss. That is to say, there has been an upward movement in the revenue. At the earlier stages of this reduction, the loss, month by month, was quite what was anticipated, and even a little more.

Mr. MONTAGUE. Would the honourable gentleman allow me to interrupt him? Where has the chief gain been in revenue?

The POSTMASTER-GENERAL. Will my honourable friend (Mr. Montague) permit me to deal with this point first? During the earliest periods, after this reduction was in force, our monthly loss of revenue embraced such sums as \$80,000, which represents, perhaps, \$1,000,000 a year, if maintained uniformly throughout the year. But such months were exceptional, and month after month the revenue has been growing, and has been getting nearer to what it was in the corresponding months under the higher rates of honourable gentlemen opposite, until, at last, in the month of May, just closed, the revenue derived from the post office, as compared with the revenue of the month of May, 1898, corresponding, when the higher rates prevailed,

Was just \$4,386 less than in 1898.

If that represents, as I believe it does, the revenue of our department now, it means that we have practically recovered the loss of revenue brought about by these reductions. I cannot give the revenue for the month of June as it has not yet been made up. It will not be made up until the 16th of July. The honourable member for Haldimand (Mr. Montague) asks me how these increases have been made up. If he will turn to the Postmaster-General's report he will find it stated there that there have been very considerable increases in the number of domestic letters. I am told that there has been a discontinuance, to a very large extent, of the practice of sending unsealed printed communications which formerly passed at one cent, but which when sealed up paid three cents. Under the reduced rate, namely, two cents, many people who formerly sent letters open, circulars, and so on, now, under the reduced rate, seal them. I am also told that the cheap letter rate is attracting people to the use of letters instead of postcards. That is the information I have received from Mr. Stanton.

Sir ADOLPHE CARON. Where can this information be found in the report?

The POSTMASTER GENERAL. I think, if the hon. gentleman (Sir Adolphe Caron) will turn up the report, he will find a statement shewing falling off in the number of postal cards issued.

Mr. MONTAGUE. What I want to get is something for the purpose of comparison. Has the hon. gentleman taken two years some time during the decade previous to the 2-cent rate being adopted, and two years since, and compared the increase in the letters carried?

The POSTMASTER GENERAL. If the hon. gentleman will kindly renew his question, I will deal with it later. I wish to answer one of his questions first. The hon. gentleman asked me some of the sources of increased revenue, and I was giving them to him. I will give him another.

Mr. MONTAGUE. Yes, but—

THE POSTMASTER GENERAL. Will the hon. gentleman permit me? I want to finish my sentence first. I was answering the hon. gentleman's inquiry, and I propose to mention another source of revenue under this new policy of the government, and I am sure that what I am about to announce

Will be most Gratifying to every Member of this House and to every Citizen of Canada.

Although it may not mean a very great increase, it means a substantial increase. I refer to the revenue derived from letters from Canada to Great Britain, and those British possessions which have come under the new inter-Imperial penny rate. When the 2-cent rate had been in force some fifteen months I requested the secretary of the department, Mr. LeSueur, an old and experienced officer, one in whose judgment and integrity every one can place the utmost confidence, to have an account taken and to inform me, if he could do so, to what extent the correspondence despatched from Canada to Great Britain and to British possessions, had been affected by the reduced postage. Perhaps I cannot do better than read his letter on the subject. He informed me of the result at the time that it was known, and yesterday I asked him if he would put it in writing. He has addressed to me the following letter:

Ottawa, June 28, 1900.

Dear Mr. Mulock,—In reply to your inquiry as to the effect of the reduction in the rate of letter postage from Canada to Great Britain and those British possessions which adopted the reduced Intra-Imperial penny rate which took effect on December 25, 1898, I have to say that, from a careful count made of the correspondence despatched from Canada to Great Britain and such British

possessions, I am able to state that the amount of postage which is now being collected on the correspondence in question quite equals, and probably exceeds, what was being collected at a corresponding period prior to the reduction of the postage.

This implies, I need hardly observe, an increase of 150 per cent. in the volume of correspondence forwarded.

Faithfully yours,

(Sgd.)

W. D. LESUEUR,

Secretary.

The Hon. William Mulock.

Mr. MONTAGUE. He does not give the figures.

The POSTMASTER GENERAL. I am sure, Mr. Chairman, that the information is most gratifying to hon. gentlemen. I have read all he has given me. My hon. friend (Mr. Montague) desires to know in what other way the revenue has been increased. I refer him to the Postmaster General's report, and if he will kindly turn to the portion of it which gives an estimate of the letters sent for the year, he will there find a statement showing the estimate of the increase in the number of domestic letters.

I have just one word more to say, and it is generally in reference to the operations of the department for the fiscal year 1899, and the fiscal year 1896. I make these comparisons representing, as they do, the last fiscal year under this administration for which we have accounts, and the last fiscal year of the late administration. I give now a comparison in the work and cost of the department during these two years. In 1899 there were in operation in Canada 9,420 post offices, and in 1896 9,103. We increased the number of post offices by 317, or an increase of $3\frac{1}{2}$ per cent. In 1899 the number of savings bank offices was 838; in 1896 it was 755. We increased the number by eighty-three, or an increase of 11 per cent.

In 1899 we had 2,640 offices engaged in the issue of postal notes. This is an entirely new branch of the service, established about two years ago. There was no such convenience in olden days.

In 1899 there were 142,141 accounts in the savings banks of the post office, and in 1896, there was 126,442, or in other words, during these three years there was an increase of 15,699.

We have increased the number of money order offices from 1,310 in 1896 to 1,779 in 1899, an increase of 469, or an increased percentage of nearly 26 per cent.

The amount of money orders issued by this department in 1899 exceeds the amount issued in 1896 by \$1,386,136.79, or an increase of over 10 per cent.

Those who may think that we have cramped the service in other respects will have their fears allayed when I mention the in-

crease in the mileage. I have pointed out the increase in the number of post offices; the increased work done in the Post Office Department, and now I beg to say that, for the fiscal year beginning 1899—the fiscal year covered by the accounts now under discussion—we are carrying the mails

1,438,095 Miles more

than they were ever carried in any previous year.

As to the volume of general mail matter, of all kinds, carried in the post office during the fiscal year just closed, and comparing with it the volume carried during the fiscal year 1896, we find that the total number of articles of all kinds carried in the mails during 1896 was 177,178,130, while during the fiscal year of 1899 the department carried through the mails 228,024,900 pieces, or an

Increase in three years of 50,846,770 pieces, equal to an increase of 28 2-3 per cent.

Now, Sir, as to the revenue during these periods. The annual net revenue for the year closing 1896, under the late administration, was \$2,964,014.23, but during the last fiscal year, notwithstanding the loss of this \$450,000 in reduced postage, we did so much more business for the less money that the total net revenue of the post office was \$3,182,930.92, or a net increase of revenue in 1899 over 1896 of \$218,916.69:

The following table gives full particulars shewing the enormous increased usefulness of the Department in the three years, at actually less cost to the country:

COMPARISON OF WORK AND COST—1896 AND 1899.

	No. of Post Offices.		No. of Saving Bank Offices.		No. of Postal Note Offices.		New S. B. Accounts Open.		No. of Postal Notes Sold.		No. of Money Order Offices.		Value of Money Orders issued.		No. of miles the mails are carried annually.		No. of Articles of all kinds carried in Mails		Net Revenue.	
1899.....	9,420	838	2,640	142,141	471,407	1,779	14,467,997	41	31,989,778	228,024,900	3,182,930	92								
1896.....	9,103	755	.....	126,442	.....	1,810	13,081,860	62	30,551,683	177,178,130	2,964,014	23							
Increase.....	317	83	2,640	15,699	.....	469	1,386,136	79	1,438,095	50,846,770	218,916	69							
Per cent.....	3 1-3	11	.....	12 2-5	.....	35 4-5	10 3-5		4 1/2	28 2/3	.....								

Or a net increase revenue in 1899 over 1896 of \$218,916.69.

	Cost.
1899.....	\$3,581,848 71
1896.....	3,665,011 30
Decrease	\$83,162 59

This increase in the revenue represents an enormous amount of work done by the department in 1899, as compared with the work done in 1896.

I hope it will be gratifying to hon. gentlemen opposite.

At all events, it will be gratifying to the taxpayers of Canada to know that this increased service, representing, probably, an increase of 25 per cent. in additional postal facilities to the public, has been obtained, not with a deficit of \$800,000 a year as formerly, but at a cost of \$83,162.59 less than under the late government for a much smaller service.

With reference to the future of this department, I join with others in very modestly venturing into the realm of prophesy. It can hardly be called unwarrantable for me to state what I think is the immediate future of the Post Office Department. I consider that within a month or two the revenue of the Post Office Department will be equal to what it was when it reached its highest point under the higher rates of postage. I do not think there is any possible doubt upon that point, because for the month of May it was within about \$4,000 of the highest amount reached in any corresponding month of May on the higher rates. In spite of what may be said to the contrary, these cheapened rates have brought the post office nearer to the people of Canada, and not merely the bankers and the commercial men, and the men who write to China, Hong Kong and Japan—not merely those, but the masses of the people have availed of the cheaper rates, as can be found by the returns in the Postmaster General's report, from the humblest post office in Canada. You will find the same steady growth in the rural post offices as in the city offices. If it were only the wealthy that were taking advantage of the extra facilities now offered by the Post Office Department, we would find an enormous increase in the cities and we would find an enormous decrease in the country. That is not the case. The total revenues from the city offices is about one-third of the total revenues of the Post Office Department, and the increase keeps pace fairly between one and the other, so that from the increase in the city post offices we can make an estimate of what would be the increase in the rural districts. It is an entire error for any hon. gentleman to assume that the reduced postage has not been fully taken advantage of by the humblest people as well as by that class for which my hon. friend (Mr. Foster) thinks we should not be solicitous.

The Post Office is an Institution for the Masses,

and we are bringing it nearer and nearer to them every day by cheapening the rates, increasing the post offices, extending the facilities. In no better way can you bring it within their reach than to make it cheap and accessible to the poorest in the land. The post office is intended for the poor as well as for the rich, and the masses of the people have recognized our policy of giving cheaper postage, and have profited by it to their own advantage and at no loss to the service itself. I have very carefully studied the matter month after month since the reduction; indeed, I might say, that from day to day I have watched it at every point, the outgoing of stamps and the revenues from every part of this country, and I say here, unqualifiedly; that a careful analysis of the revenue from all parts entirely disproves the contention that the reduction of postage does not enure to the benefit of the poor as well as to the benefit of the rich. And, sir, having thus brought the post office within the reach of the masses as well as of the classes, we shall have a much more rapid growth in its revenue, which will enable it to become a prosperous, if not a self-sustaining department, I say here, that when this fiscal year we are now entering upon closes—the fiscal year of 1900-1901—the post office will show, under good management, a surplus, if you choose to work it for a surplus, or it will show a greatly increased service out of the legitimate earnings of the Post Office Department. I hope, Mr. Chairman, that this result will satisfy hon. gentlemen that we have not been unmindful of the best interests of the country in the policy that has characterized the administration of this department under the present government.

**Canadian
Pamphlets**

Mulock, W.
The adminis-
tration of
the Post
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